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## Standard & Poor's Says Illinois' Budget And Pension Remain Key Focus For The Rating

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NEW YORK (Standard & Poor's) June 6, 2012--On May 31, 2012, the Illinois legislature concluded its budget deliberations and will be sending the budget bills to Governor Pat Quinn for signature before the start of the fiscal year. Standard & Poor's Ratings Services will evaluate the enacted budget to assess the state's progress on structural alignment of revenues and expenditures. In addition to assessing the revenue forecast relative to the current economic climate, including specific plans for revenue enhancement, Standard & Poor's will also focus on implementation risk associated with planned spending reductions and Medicaid as well as other reform initiatives.

There was no action during the regular legislative session on pension reform and we consider this negative from a credit standpoint. Given that the pension reform legislation did not pass during this session, it will now be a much more significant challenge to implement, in Standard & Poor's opinion, requiring a three-fifths majority if addressed in a special session in 2012.

We have kept our outlook on the state of Illinois ('A+' general obligation debt) negative since January of 2011. Despite significant revenue enhancement and ongoing revenue recovery, structural budget balance has been elusive and liquidity remains strained due to the state's growing accumulated deficit (accounts payable and general fund liabilities). We expect to resolve the outlook on Illinois this year based on our review of the fiscal 2013 enacted budget and the state's progress, if any, on addressing its significant pension liabilities and associated cost pressures.

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